



General Assembly

January Session, 2017

Committee Bill No. 12

LCO No. 5531



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Referred to Committee on JUDICIARY

Introduced by:
(JUD)

AN ACT ESTABLISHING BENEFIT LIMITED LIABILITY COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2017*) Sections 1 to 14,
2 inclusive, of this act shall be known and may be cited as the
3 "Connecticut Benefit Limited Liability Company Act".

4 Sec. 2. (NEW) (*Effective October 1, 2017*) As used in sections 2 to 14,
5 inclusive, of this act:

6 (1) "Benefit corporation" means a business corporation (A) that has
7 elected to become subject to the provisions of chapter 604 of the
8 general statutes, and (B) whose status as a benefit corporation has not
9 been terminated pursuant to section 33-1356 of the general statutes, as
10 amended by this act.

11 (2) "Benefit enforcement proceeding" means any claim or action for
12 (A) the failure of a benefit limited liability company to pursue or create
13 a general public benefit or any specific public benefit purpose set forth
14 in its certificate of organization, or (B) the violation of any obligation,
15 duty or standard of conduct under sections 3 to 14, inclusive, of this

16 act.

17 (3) "Benefit limited liability company" means a limited liability
18 company that (A) has elected to become subject to the provisions of
19 sections 3 to 14, inclusive, of this act, and (B) whose status as a benefit
20 limited liability company has not been terminated pursuant to section
21 7 of this act.

22 (4) "Benefit officer" means an individual designated as the benefit
23 officer of a benefit limited liability company pursuant to section 10 of
24 this act.

25 (5) "Business corporation" means a corporation whose internal
26 affairs are governed by chapter 601 of the general statutes.

27 (6) "Charitable organization" means (A) any organization that is
28 exempt from federal income tax under Section 501(a) of the Code as an
29 organization described in Section 501(c)(3) of the Code, or (B) an
30 organization, contributions to which are deductible under Section
31 170(c)(2) of the Code.

32 (7) "Code" means the Internal Revenue Code of 1986, or any
33 subsequent internal revenue code of the United States, as amended
34 from time to time.

35 (8) "General public benefit" means a material positive impact on
36 both society and the environment, taken as a whole, as assessed
37 against a third-party standard, from the business and operations of a
38 benefit limited liability company.

39 (9) "Independent" means having no material relationship with a
40 benefit limited liability company, provided an individual who serves
41 as a benefit officer does not lack independence solely by serving in
42 such capacity.

43 (10) "Interest exchange" means a transaction authorized by part III
44 of chapter 616 of the general statutes.

45 (11) "Legacy preservation provision" means a provision in the
46 certificate of organization of a benefit limited liability company that
47 (A) states that the status of the benefit limited liability company as
48 such may not be terminated, either directly by amendment of the
49 certificate of organization or indirectly through a merger,
50 consolidation, interest exchange or other business combination, or a
51 sale, lease, exchange or other disposition of all or substantially all of
52 the assets of the benefit limited liability company that would leave the
53 benefit limited liability company without a significant continuing
54 business activity, within the meaning of subsection (a) of section 33-
55 831 of the general statutes; (B) may provide for either or both of the
56 following: (i) The specific benefit purpose or purposes of the benefit
57 limited liability company set forth in the certificate of organization, if
58 any, may not be amended, modified or repealed; and (ii) distributions
59 by the benefit limited liability company to its members, including
60 distributions to members following dissolution, shall be restricted or
61 prohibited as provided in the certificate of organization; (C) is
62 specifically identified in the certificate of organization as a legacy
63 preservation provision; and (D) provides that it may not be amended,
64 modified or repealed, directly or indirectly, during the restricted
65 period.

66 (12) "Limited liability company" has the same meaning as provided
67 in section 34-243a of the general statutes.

68 (13) "Material relationship" means a relationship between a person
69 and a benefit limited liability company if any of the following apply:
70 (A) The person is, or has been within the last three years, a manager, a
71 benefit officer or an executive officer of the benefit limited liability
72 company; (B) an immediate family member of the person is, or has
73 been within the last three years, a manager or executive officer of the
74 benefit limited liability company; or (C) the person is, or has been
75 within the last three years, a member of the benefit limited liability
76 company and owns or has owned, directly or indirectly, five per cent
77 or more of the transferable interests of the benefit limited liability

78 company.

79 (14) "Minimum status vote" means, in addition to any other
80 required approval or vote, the action is approved by two-thirds in
81 interest of the members of the limited liability company.

82 (15) "Restricted period" means a period of twenty years from the
83 date a legacy preservation provision is adopted in accordance with
84 subsection (a) of section 6 of this act or extended in accordance with
85 subsection (b) of section 6 of this act, provided a legacy preservation
86 provision may specify a different time period of not less than five nor
87 more than nineteen years.

88 (16) "Qualified entity" means (A) a domestic or foreign benefit
89 corporation, public benefit corporation, benefit limited liability
90 company or other entity organized for a general public benefit or a
91 specific public benefit that has adopted a legacy preservation provision
92 or similar restriction on distributing its remaining assets after
93 dissolution or otherwise terminating its status as such corporation or
94 other entity, or (B) a charitable organization.

95 (17) "Specific public benefit" includes: (A) Providing low-income or
96 underserved individuals or communities with beneficial products or
97 services; (B) promoting economic opportunity for individuals or
98 communities beyond the creation of jobs in the normal course of
99 business; (C) protecting or restoring the environment; (D) improving
100 human health; (E) promoting the arts, sciences or advancement of
101 knowledge; (F) increasing the flow of capital to other benefit limited
102 liability companies, benefit corporations or similar entities whose
103 purpose is to benefit society or the environment; and (G) conferring
104 any other particular benefit on society or the environment.

105 (18) "Third-party standard" means a recognized standard for
106 defining, reporting and assessing a benefit limited liability company's
107 social and environmental performance that: (A) Is used to assess the
108 effect of its business and operations upon the interests listed in

109 subparagraphs (B), (C), (D) and (E) of subdivision (1) of subsection (a)
110 of section 9 of this act; and (B) is developed by an entity that is
111 independent and makes publicly available the following information
112 about the development and revision of the standard: (i) The identity of
113 the directors, officers, material owners, and the governing body of the
114 entity that developed and controls revisions to the standard; (ii) the
115 process by which revisions to the standard and changes to the
116 membership of such governing body are made; and (iii) an accounting
117 of the revenue and sources of financial support for such entity, with
118 sufficient detail to disclose any relationships that could reasonably be
119 considered to present a potential conflict of interest.

120 Sec. 3. (NEW) (*Effective October 1, 2017*) (a) The provisions of this
121 section and sections 4 to 14, inclusive, of this act shall be applicable to
122 all benefit limited liability companies.

123 (b) The provisions of this section and sections 4 to 14, inclusive, of
124 this act shall not create an implication that a contrary or different rule
125 of law is applicable to a limited liability company that is not a benefit
126 limited liability company. The provisions of this section and sections 4
127 to 14, inclusive, of this act shall not affect a statute or rule of law that is
128 applicable to a limited liability company that is not a benefit limited
129 liability company.

130 (c) Except as otherwise provided in this section and sections 4 to 14,
131 inclusive, of this act, the provisions of sections 34-243 to 34-290,
132 inclusive, of the general statutes shall be generally applicable to all
133 benefit limited liability companies. The specific provisions of this
134 section and sections 4 to 14, inclusive, of this act shall control over the
135 general provisions of sections 34-243 to 34-290, inclusive, of the general
136 statutes.

137 (d) A provision of the certificate of organization or operating
138 agreement of a benefit limited liability company may not limit, be
139 inconsistent with or supersede a provision of this section or sections 4
140 to 14, inclusive, of this act.

141 (e) Nothing in this section or sections 4 to 14, inclusive, of this act
142 shall (1) be construed as creating or granting to any person any
143 contractual right to, or proprietary interest in, the income or assets of a
144 benefit limited liability company by virtue of the fact that he or she
145 may directly or indirectly benefit from the general public benefit or
146 any specific public benefit of a benefit limited liability company, (2) be
147 construed as imposing or creating a charitable use, interest or
148 restriction on any property or assets of a benefit limited liability
149 company, or (3) deprive the Attorney General of jurisdiction over a
150 benefit limited liability company under any other applicable law.

151 (f) The formation of or election to become a benefit limited liability
152 company, including the adoption of a legacy preservation provision, in
153 accordance with subsection (a) of section 6 of this act, shall not be
154 deemed or construed as imposing or creating a charitable use, interest
155 or restriction on any property or assets of a benefit limited liability
156 company.

157 Sec. 4. (NEW) (*Effective October 1, 2017*) A benefit limited liability
158 company shall be formed in accordance with the provisions of sections
159 34-243 to 34-290, inclusive, of the general statutes by filing a certificate
160 of organization with the office of the Secretary of the State that states
161 that the limited liability company is a benefit limited liability company.
162 The name of each benefit limited liability company shall identify the
163 limited liability company as a benefit limited liability company by
164 including in the name the words "benefit limited liability company" or
165 the abbreviation "BLLC" or "B.L.L.C.".

166 Sec. 5. (NEW) (*Effective October 1, 2017*) A limited liability company
167 that is not a benefit limited liability company may elect to become a
168 benefit limited liability company by amending its certificate of
169 organization to contain, in addition to matters required by section 34-
170 247 of the general statutes, a statement that the limited liability
171 company is a benefit limited liability company. Any such amendment
172 to the certificate of organization shall be approved by a minimum

173 status vote.

174 Sec. 6. (NEW) (*Effective October 1, 2017*) (a) The members of a benefit
175 limited liability company may, not earlier than twenty-four months
176 after the date that it became a benefit limited liability company, amend
177 its certificate of organization to include a legacy preservation
178 provision. Any such amendment shall be adopted in accordance with
179 the procedures set forth in section 34-247a of the general statutes and
180 shall be approved by the affirmative vote or written consent of all of
181 the members of the benefit limited liability company.

182 (b) A legacy preservation provision shall remain in effect following
183 the expiration of a restricted period. After such expiration, a legacy
184 preservation provision may be amended, modified, repealed or
185 extended for an additional restricted period by an amendment of the
186 certificate of organization adopted in accordance with the procedures
187 set forth in section 34-247a of the general statutes and approved by the
188 affirmative vote or written consent of all of the members. A legacy
189 preservation provision may specify that the voting or written consent
190 requirements for the amendment, modification, repeal or extension of
191 such legacy preservation provision be less than the unanimous
192 affirmative vote or consent of all of the members, provided such
193 alternative requirements shall not be less than a minimum status vote.

194 (c) If a benefit limited liability company with a legacy preservation
195 provision in effect is dissolved, the remaining property of such
196 dissolved limited liability company may only be distributed to one or
197 more qualified entities unless provided otherwise in its certificate of
198 organization or by applicable law. If the plan of dissolution of such
199 benefit limited liability company provides, in whole or in part, for a
200 transfer of any material assets to a charitable organization, the limited
201 liability company shall give written notice to the Attorney General
202 prior to making any such transfer to the charitable organization.

203 Sec. 7. (NEW) (*Effective October 1, 2017*) (a) Unless a legacy
204 preservation provision is in effect or unless provided otherwise in its

205 certificate of organization or by applicable law, a benefit limited
206 liability company may terminate its status as such and cease to be
207 subject to the provisions of sections 3 to 14, inclusive, of this act by
208 amending its certificate of organization to delete any provision stating
209 that such limited liability company is a benefit limited liability
210 company. Any such amendment must be approved by a minimum
211 status vote.

212 (b) Unless a legacy preservation provision is in effect or unless
213 provided otherwise in its certificate of organization or by applicable
214 law, if a benefit limited liability company is a party to a merger or
215 interest exchange in which (1) the surviving entity will not be a benefit
216 limited liability company, or (2) an interest in such benefit limited
217 liability company will be exchanged for or converted into a right to
218 receive a transferable interest of a limited liability company that is not
219 a benefit limited liability company, the plan of merger or interest
220 exchange must be approved by a minimum status vote.

221 (c) Unless provided otherwise in its certificate of organization or by
222 applicable law, a benefit limited liability company that has a legacy
223 preservation provision in effect may only be a party to (1) a merger in
224 which (A) the surviving entity will be a benefit limited liability
225 company that has adopted a substantially equivalent legacy
226 preservation provision, or (B) transferable interests of such benefit
227 limited liability company will be converted into a right to receive
228 transferable interests of a benefit limited liability company that has
229 adopted a substantially equivalent legacy preservation provision, or
230 (2) an interest exchange in which the transferable interests of the
231 benefit limited liability company will be exchanged for transferable
232 interests of a benefit limited liability company that has adopted a
233 substantially equivalent legacy preservation provision.

234 (d) Unless a legacy preservation provision is in effect or unless
235 provided otherwise in its certificate of organization or by applicable
236 law, any sale, lease, exchange or other disposition of all or

237 substantially all of the assets of a benefit limited liability company that
238 would leave the benefit limited liability company without a significant
239 continuing business activity, within the meaning of subsection (a) of
240 section 33-831 of the general statutes, such disposition must be
241 approved by a minimum status vote.

242 Sec. 8. (NEW) (*Effective October 1, 2017*) (a) A benefit limited liability
243 company shall have a purpose of creating a general public benefit.
244 Such purpose shall be in addition to any purpose under sections 34-
245 243g and 34-243h of the general statutes.

246 (b) The certificate of organization of a benefit limited liability
247 company may identify one or more specific public benefits as a
248 purpose for such benefit limited liability company to create in addition
249 to any purpose under sections 34-243g and 34-243h of the general
250 statutes and subsection (a) of this section. The identification of a
251 specific public benefit under this subsection shall not limit the
252 obligation of a benefit limited liability company under subsection (a) of
253 this section.

254 (c) The creation of a general public benefit and any specific public
255 benefit under subsections (a) and (b) of this section is in the best
256 interests of the benefit limited liability company.

257 (d) A benefit limited liability company may amend its certificate of
258 organization to add, amend or delete the identification of a specific
259 public benefit that is the purpose of the benefit limited liability
260 company to create. Any such amendment shall be adopted by a
261 minimum status vote.

262 Sec. 9. (NEW) (*Effective October 1, 2017*) (a) In discharging the duties
263 of their respective positions and considering the best interests of the
264 benefit limited liability company, the members of a member-managed
265 benefit limited liability company or the manager or managers of a
266 manager-managed benefit limited liability company, as the case may
267 be:

268 (1) Shall consider the effects of any company action or inaction
269 upon:

270 (A) The members of a manager-managed benefit limited liability
271 company, if applicable;

272 (B) The employees and workforce of the benefit limited liability
273 company and its suppliers;

274 (C) The interests of the customers of the benefit limited liability
275 company as beneficiaries of the general public benefit purpose and any
276 specific public benefit purpose of the benefit limited liability company;

277 (D) Community and societal factors, including those of each
278 community in which offices or facilities of the benefit limited liability
279 company or its suppliers are located;

280 (E) The local and global environment;

281 (F) The short-term and long-term interests of the benefit limited
282 liability company, including benefits that may accrue to the benefit
283 limited liability company from such company's long-term plans; and

284 (G) The ability of the benefit limited liability company to accomplish
285 its general public benefit purpose and any specific public benefit
286 purpose;

287 (2) May consider other pertinent factors or the interests of any other
288 group that the members of a member-managed benefit limited liability
289 company or the manager or managers of a benefit limited liability
290 company, as the case may be, deem appropriate; and

291 (3) Need not give priority to the interests of a particular person or
292 group referred to in subdivision (1) or (2) of this subsection over the
293 interests of any other person or group unless the certificate of
294 organization of such benefit limited liability company states an
295 intention to give priority to certain interests related to the

296 accomplishment of the company's general public benefit purpose or of
297 a specific public benefit purpose identified in the company's certificate
298 of organization.

299 (b) The consideration of interests and factors in the manner required
300 or permitted by subsection (a) of this section shall not constitute a
301 violation of the applicable duties described in section 34-255h of the
302 general statutes.

303 (c) A member or manager of a benefit limited liability company
304 shall not be personally liable for (1) any act or omission in the course of
305 performing the duties of a member of a member-managed benefit
306 limited liability company or the duties of a manager of a manager-
307 managed limited liability company, as the case may be, under
308 subsection (a) of this section if the member or manager performed the
309 applicable duties of such member or manager in compliance with this
310 section and section 34-255h of the general statutes, or (2) failure of the
311 benefit limited liability company to pursue or create a general public
312 benefit or any specific public benefit.

313 (d) A member or manager of a benefit limited liability company
314 shall not have a duty to a person who is a beneficiary of the general
315 public benefit purpose or a specific public benefit purpose of the
316 benefit limited liability company based on the status of such person as
317 a beneficiary.

318 Sec. 10. (NEW) (*Effective October 1, 2017*) (a) The members of a
319 benefit limited liability company may appoint an individual to serve as
320 the benefit officer of the limited liability company in the manner
321 provided for a manager of a manager-managed limited liability
322 company under subdivision (5) of subsection (c) of section 34-255f of
323 the general statutes. A benefit officer shall: (1) Have the powers, duties,
324 rights and immunities provided in sections 3 to 14, inclusive, of this act
325 and set forth in the certificate of organization or operating agreement
326 of the limited liability company, and (2) if such benefit officer is not a
327 member or manager of the benefit limited liability company, be

328 entitled to (A) attend and participate as a nonvoting observer in all
329 meetings of the members if not a member and meetings of the
330 managers if not a manager, (B) receive copies of all notices, minutes,
331 consents and other materials that the limited liability company
332 provides to its members or managers at the same time and in the same
333 manner as provided to such members or managers, and (C) have
334 access to all information available to the members and managers of the
335 limited liability company, provided the benefit officer shall agree to
336 hold such information in confidence and trust and to act in a fiduciary
337 manner with respect to such information, and provided further, the
338 limited liability company shall have the right to withhold any
339 information and to exclude such benefit officer from any meeting or
340 portion thereof if access to such information or attendance at such
341 meeting could adversely affect the attorney-client privilege between
342 the limited liability company and its legal counsel or result in
343 disclosure of trade secrets. The certificate of organization or operating
344 agreement of a benefit limited liability company may provide
345 additional rights and prescribe additional qualifications and duties of
346 the benefit officer that are consistent with this subsection.

347 (b) The benefit officer may be removed in the same manner as
348 provided for a manager of a manager-managed limited liability
349 company under subdivision (5) of subsection (c) of section 34-255f of
350 the general statutes.

351 (c) The benefit officer shall prepare, and the benefit limited liability
352 company shall include in the annual benefit report to its members
353 required by section 14 of this act, the opinion of the benefit officer on
354 each of the following: (1) Whether the benefit limited liability company
355 acted in accordance with its general public benefit purpose and any
356 specific public benefit purpose in all material respects during the
357 period covered by the report, (2) whether the members or managers, as
358 the case may be, complied with subsection (a) of section 9 of this act,
359 and (3) if, in the opinion of the benefit officer, the benefit limited
360 liability company or its members or managers failed to comply with

361 subsection (a) of section 9 of this act, a description of the ways in
362 which the benefit limited liability company or the company's members
363 or managers failed to comply.

364 (d) Regardless of whether the certificate of organization of a benefit
365 limited liability company includes a provision limiting the personal
366 liability of officers, a benefit officer shall not be personally liable for
367 any act or omission in the capacity of a benefit officer unless the act or
368 omission constitutes self-dealing, wilful misconduct or a knowing
369 violation of law.

370 Sec. 11. (NEW) (*Effective October 1, 2017*) (a) Each officer of a benefit
371 limited liability company shall consider the interests and factors
372 described in subsection (a) of section 9 of this act in the manner
373 provided in said subsection if (1) the officer has discretion to act with
374 respect to a matter, and (2) it reasonably appears to the officer that the
375 matter may have a material effect on the creation by the benefit limited
376 liability company of a general public benefit or any specific public
377 benefit identified in the certificate of organization of the benefit limited
378 liability company.

379 (b) The consideration of interests and factors in the manner
380 described in subsection (a) of section 9 of this act by an officer shall not
381 constitute a breach of the duties of such officer to the benefit limited
382 liability company.

383 (c) An officer shall not be personally liable for (1) an act or omission
384 as an officer in the course of performing the duties of an officer under
385 subsection (a) of this section if the officer performed the duties of the
386 position in compliance with this section, or (2) the failure of the benefit
387 limited liability company to pursue or create a general public benefit
388 or any specific public benefit.

389 (d) An officer shall not have a duty to a person who is a beneficiary
390 of the general public benefit purpose or any specific public benefit
391 purpose of a benefit limited liability company based on the status of

392 such person as a beneficiary.

393 Sec. 12. (NEW) (*Effective October 1, 2017*) (a) Except in a benefit
394 enforcement proceeding, no person may bring an action or assert a
395 claim against a benefit limited liability company or its members or
396 managers or a benefit officer with respect to (1) the failure to pursue or
397 create a general public benefit or any specific public benefit identified
398 in its certificate of organization, or (2) the violation of an obligation,
399 duty or standard of conduct under sections 3 to 14, inclusive, of this act
400 or the certificate of organization or operating agreement.

401 (b) A benefit limited liability company shall not be liable for
402 monetary damages under sections 3 to 14, inclusive, of this act for any
403 failure of the benefit limited liability company to pursue or create a
404 general public benefit or any specific public benefit.

405 (c) A benefit enforcement proceeding may be commenced or
406 maintained only by (1) the benefit limited liability company, or (2)
407 derivatively in accordance with the provisions of sections 34-271a and
408 34-271b of the general statutes by (A) a member or group of members
409 that own five per cent or more of the transferable interests of the
410 benefit limited liability company, or (B) other persons as specified in
411 the certificate of organization or operating agreement of the benefit
412 limited liability company.

413 Sec. 13. (NEW) (*Effective October 1, 2017*) (a) The members of a
414 benefit limited liability company shall select a third-party standard by
415 which to assess such company's pursuit of a general public benefit and
416 any specific public benefit. Selecting or changing a third-party
417 standard shall require approval by the greater of (1) a majority in
418 interest of the members, or (2) the vote or written consent of the
419 members required by the certificate of organization or operating
420 agreement of the benefit limited liability company to take action under
421 this section.

422 (b) A benefit limited liability company shall prepare an annual

423 benefit report that includes each of the following: (1) A narrative
424 description of (A) the ways in which the benefit limited liability
425 company pursued a general public benefit during the year and the
426 extent to which a general public benefit was created; (B) both (i) the
427 ways in which the benefit limited liability company pursued any
428 specific public benefit identified in the benefit limited liability
429 company's certificate of organization, and (ii) the extent to which such
430 specific public benefit was created; (C) any circumstances that have
431 hindered the creation by the benefit limited liability company of a
432 general public benefit or any specific public benefit; and (D) the
433 process and rationale for selecting or changing the third-party
434 standard used to prepare the benefit report; (2) an assessment of the
435 overall social and environmental performance of the benefit limited
436 liability company against a third-party standard (A) applied
437 consistently with any application of that standard in prior benefit
438 reports, or (B) accompanied by an explanation of the reasons for any
439 inconsistent application or the change to that standard from the
440 standard used in the most recent prior report; (3) the name of the
441 benefit officer, if any, and the address to which correspondence to the
442 benefit officer may be directed; (4) the opinion of the benefit officer
443 described in subsection (c) of section 10 of this act; and (5) a statement
444 of any connection between the organization that established the third-
445 party standard, its directors or officers or any holder of five per cent or
446 more of the voting power or capital interests in such organization, and
447 the benefit limited liability company, or its members or managers or
448 any holder of five per cent or more of the transferable interests of the
449 benefit limited liability company, including any financial or
450 governance relationship that might materially affect the credibility of
451 the use of the third-party standard.

452 (c) If, during the year covered by a benefit report, a benefit officer
453 resigned from the position of benefit officer, or was removed from the
454 position of benefit officer, and the benefit officer furnished the benefit
455 limited liability company with a written statement or correspondence
456 concerning the circumstances surrounding the resignation or removal,

457 the benefit report shall include that statement or correspondence as an
458 exhibit.

459 (d) Neither the benefit report nor the assessment of the performance
460 of the benefit limited liability company in the benefit report required
461 by subdivision (2) of subsection (b) of this section shall be required to
462 be audited or certified by the third-party standards provider.

463 Sec. 14. (NEW) (*Effective October 1, 2017*) (a) A benefit limited
464 liability company shall prepare and send to each member and manager
465 an annual benefit report (1) not later than one hundred twenty days
466 following the end of each fiscal year of the benefit limited liability
467 company after the first full fiscal year following its organization as a
468 benefit limited liability company, or (2) at the same time that the
469 benefit limited liability company delivers any other annual report to its
470 members.

471 (b) A benefit limited liability company shall post and maintain each
472 annual benefit report on the public portion of its Internet web site, if
473 any, except that any financial, confidential or proprietary information
474 included in any benefit report may be omitted from the benefit report
475 as posted.

476 (c) If a benefit limited liability company does not have an Internet
477 web site, the benefit limited liability company shall provide a copy of
478 such company's most recent benefit report, without charge, to any
479 person who requests a copy, but any financial, confidential or
480 proprietary information included in any benefit report may be omitted
481 from such copy.

482 Sec. 15. Section 33-1351 of the general statutes is repealed and the
483 following is substituted in lieu thereof (*Effective October 1, 2017*):

484 As used in this section and sections 33-1352 to 33-1364, inclusive, as
485 amended by this act:

486 (1) "Benefit corporation" means a business corporation (A) that has

487 elected to become subject to the provisions of sections 33-1352 to 33-
488 1364, inclusive, as amended by this act, and (B) whose status as a
489 benefit corporation has not been terminated pursuant to section 33-
490 1356, as amended by this act.

491 (2) "Benefit director" means either (A) the director designated as the
492 benefit director of a benefit corporation pursuant to section 33-1359, or
493 (B) a person with one or more of the powers, duties or rights of a
494 benefit director under section 33-1359 to the extent that such person
495 has been granted all or part of the authority to manage the business
496 and affairs of the corporation by a shareholder agreement that
497 complies with section 33-717.

498 (3) "Benefit enforcement proceeding" means any claim or action for
499 (A) the failure of a benefit corporation to pursue or create a general
500 public benefit or any specific public benefit purpose set forth in its
501 certificate of incorporation, or (B) the violation of any obligation, duty
502 or standard of conduct under sections 33-1352 to 33-1364, inclusive, as
503 amended by this act.

504 (4) "Benefit officer" means the individual designated as the benefit
505 officer of a benefit corporation pursuant to section 33-1361.

506 (5) "Benefit limited liability company" has the same meaning as
507 provided in section 2 of this act.

508 [(5)] (6) "Business corporation" means a corporation whose internal
509 affairs are governed by chapter 601.

510 [(6)] (7) "Charitable organization" means (A) any organization that is
511 exempt from federal income tax under Section 501(a) of the [Internal
512 Revenue Code of 1986, or any subsequent corresponding internal
513 revenue code of the United States, as amended from time to time, and
514 that the United States Treasury Department has expressly determined,
515 by letter, to be] Code as an organization [that is] described in Section
516 501(c)(3) of [said Internal Revenue] the Code, or (B) an organization,

517 contributions to which are deductible under Section 170(c)(2) of the
518 Code.

519 (8) "Code" means the Internal Revenue Code of 1986, or any
520 subsequent internal revenue code of the United States, as amended
521 from time to time.

522 [(7)] (9) "General public benefit" means a material positive impact on
523 both society and the environment, taken as a whole, as assessed
524 against a third-party standard, from the business and operations of a
525 benefit corporation.

526 [(8)] (10) "Independent" means having no material relationship with
527 a benefit corporation or a subsidiary of the benefit corporation,
528 provided [a person] an individual who serves as a benefit director or
529 benefit officer does not lack independence solely by serving in such
530 capacity.

531 [(9)] (11) "Legacy preservation provision" means a provision in the
532 certificate of incorporation adopted in accordance with section 33-1355,
533 as amended by this act.

534 [(10)] (12) "Material relationship" means a relationship between a
535 person and a benefit corporation or any of its subsidiaries if any of the
536 following apply: (A) The person is, or has been within the last three
537 years, an employee other than a benefit officer of the benefit
538 corporation or a subsidiary; (B) an immediate family member of the
539 person is, or has been within the last three years, an executive officer
540 other than a benefit officer of the benefit corporation or a subsidiary; or
541 (C) there is beneficial or record ownership of five per cent or more of
542 the outstanding shares of the benefit corporation, calculated on the
543 assumption that all outstanding rights to acquire shares in the benefit
544 corporation had been exercised, by (i) the person, or (ii) an entity (I) of
545 which the person is a director, an officer or a manager; or (II) in which
546 the person owns beneficially or of record five per cent or more of the
547 outstanding equity interests, calculated on the assumption that all

548 outstanding rights to acquire equity interests in the entity had been
549 exercised.

550 [(11)] (13) "Minimum status vote" means (A) in the case of a
551 business corporation, in addition to any other required approval or
552 vote, the satisfaction of the following conditions: (i) The shareholders
553 of every class or series shall be entitled to vote as a separate voting
554 group on the corporate action regardless of a limitation stated in the
555 certificate of incorporation or bylaws on the voting rights of any class
556 or series; and (ii) the corporate action is approved by the vote of
557 shareholders of each class or series entitled to cast at least two-thirds of
558 the votes that shareholders of the class or series are entitled to cast on
559 the action; and (B) in the case of a domestic entity other than a business
560 corporation, in addition to any other required approval, vote or
561 consent, the satisfaction of the following conditions: (i) The holders of
562 each class or series of equity interest in the entity that are entitled to
563 receive a distribution of any kind from the entity shall be entitled to
564 vote on or consent to the action regardless of any otherwise applicable
565 limitation on the voting or consent rights of any such class or series;
566 and (ii) the action is approved by the vote or written consent of the
567 holders described in subparagraph (B)(i) of this subdivision entitled to
568 cast at least two-thirds of the votes that all of those holders are entitled
569 to cast on the action.

570 [(12)] (14) "Publicly traded corporation" means a business
571 corporation that has shares listed on a national securities exchange or
572 traded in a market maintained by one or more members of a national
573 securities association.

574 (15) "Qualified entity" means (A) a domestic or foreign benefit
575 corporation, public benefit corporation or other entity organized for a
576 general public benefit or a specific public benefit that has adopted a
577 legacy preservation provision or similar restriction on distributing its
578 remaining assets after dissolution or otherwise terminating its status as
579 such corporation or other entity, or (B) a charitable organization.

580 (16) "Restricted period" means a period of twenty years from the
581 date a legacy preservation provision is adopted in accordance with
582 subsection (a) of section 6 of this act or extended in accordance with
583 subsection (b) of section 6 of this act, provided a legacy preservation
584 provision may specify a different time period of not less than five nor
585 more than nineteen years.

586 [(13)] (17) "Specific public benefit" includes: (A) Providing low-
587 income or underserved individuals or communities with beneficial
588 products or services; (B) promoting economic opportunity for
589 individuals or communities beyond the creation of jobs in the normal
590 course of business; (C) protecting or restoring the environment; (D)
591 improving human health; (E) promoting the arts, sciences or
592 advancement of knowledge; (F) increasing the flow of capital to other
593 benefit corporations or similar entities whose purpose is to benefit
594 society or the environment; and (G) conferring any other particular
595 benefit on society or the environment.

596 [(14)] (18) "Subsidiary" means, in relation to a person, an entity in
597 which the person owns beneficially or of record fifty per cent or more
598 of the outstanding equity interests, calculated on the assumption that
599 all outstanding rights to acquire shares in the benefit corporation have
600 been exhausted.

601 [(15)] (19) "Third-party standard" means a recognized standard for
602 defining, reporting and assessing corporate social and environmental
603 performance that: (A) Assesses the effect of its business and operations
604 upon the interests listed in subparagraphs (B), (C), (D) and (E) of
605 subdivision (1) of subsection (a) of section 33-1358; (B) is developed by
606 an entity that is independent; and (C) makes publicly available the
607 following information about the development and revision of the
608 standard: (i) The identity of the directors, officers, material owners,
609 and the governing body of the entity that developed and controls
610 revisions to the standard; (ii) the process by which revisions to the
611 standard and changes to the membership of the governing body are

612 made; and (iii) an accounting of the revenue and sources of financial
613 support for such entity, with sufficient detail to disclose any
614 relationships that could reasonably be considered to present a
615 potential conflict of interest.

616 Sec. 16. Section 33-1352 of the general statutes is repealed and the
617 following is substituted in lieu thereof (*Effective October 1, 2017*):

618 (a) The provisions of this section and sections 33-1353 to 33-1364,
619 inclusive, as amended by this act, shall be applicable to all benefit
620 corporations.

621 (b) The provisions of this section and sections 33-1353 to 33-1364,
622 inclusive, as amended by this act, shall not create an implication that a
623 contrary or different rule of law is applicable to a business corporation
624 that is not a benefit corporation. The provisions of this section and
625 sections 33-1353 to 33-1364, inclusive, as amended by this act, shall not
626 affect a statute or rule of law that is applicable to a business
627 corporation that is not a benefit corporation.

628 (c) Except as otherwise provided in this section and sections 33-1353
629 to 33-1364, inclusive, as amended by this act, the provisions of chapter
630 601 shall be generally applicable to all benefit corporations. The
631 specific provisions of this section and sections 33-1353 to 33-1364,
632 inclusive, as amended by this act, shall control over the general
633 provisions of chapter 601.

634 (d) A provision of the certificate of incorporation or bylaws of a
635 benefit corporation may not limit, be inconsistent with, or supersede a
636 provision of this section or sections 33-1353 to 33-1364, inclusive, as
637 amended by this act.

638 (e) Nothing in this section or sections 33-1353 to 33-1364, inclusive,
639 as amended by this act, shall (1) be construed as creating or granting to
640 any person any contractual right to, or proprietary interest in, the
641 income or assets of a benefit corporation by virtue of the fact that he or

642 she may directly or indirectly benefit from the general public benefit or
643 any specific public benefit of a benefit corporation, (2) be construed as
644 imposing or creating a charitable use, interest or restriction on any
645 property or assets of a benefit corporation, or (3) deprive the Attorney
646 General of jurisdiction over a benefit corporation under any other
647 applicable law.

648 (f) The formation of or election to become a benefit corporation,
649 including, the adoption of a legacy preservation provision in
650 accordance with section 33-1355, as amended by this act, shall not be
651 deemed or construed as imposing or creating a charitable use, interest
652 or restriction on any property or assets of a benefit corporation.

653 Sec. 17. Section 33-1353 of the general statutes is repealed and the
654 following is substituted in lieu thereof (*Effective October 1, 2017*):

655 A benefit corporation shall be incorporated in accordance with the
656 provisions of chapter 601 by filing a certificate of incorporation with
657 the office of the Secretary of the State that states that the corporation is
658 a benefit corporation. The name of each benefit corporation shall
659 identify the corporation as a benefit corporation by including in the
660 name the words "benefit corporation" or the abbreviation "BC" or
661 "B.C.".

662 Sec. 18. Subsection (b) of section 33-1354 of the general statutes is
663 repealed and the following is substituted in lieu thereof (*Effective*
664 *October 1, 2017*):

665 (b) If [an entity] a business corporation that is not a benefit
666 corporation is a party to (1) a merger in which (A) the surviving entity
667 will be a benefit corporation, or (B) shares [or other equity interests in
668 such entity] of such business corporation will be converted into a right
669 to receive shares of a benefit corporation, or (2) a share exchange with
670 a benefit corporation in which the shares [or other equity interests of
671 the entity] of such business corporation will be exchanged for shares of
672 a benefit corporation, the plan of merger or share exchange shall be

673 approved by a minimum status vote. [If an entity other than a business
674 corporation is a party to any such transaction and a minimum status
675 vote by the equity owners of such entity is required for approval of the
676 transaction, the equity owners of such entity shall be entitled to
677 appraisal rights under the procedures set forth in chapter 601 as if the
678 entity were a business corporation.]

679 Sec. 19. Section 33-1355 of the general statutes is repealed and the
680 following is substituted in lieu thereof (*Effective October 1, 2017*):

681 (a) [A] The shareholders of a benefit corporation may, not earlier
682 than twenty-four months after the date that it became a benefit
683 corporation, [adopt a legacy preservation provision by amending]
684 amend its certificate of incorporation to [contain a statement that the
685 corporation is subject to] include a legacy preservation provision. Any
686 such amendment shall be adopted in accordance with the procedures
687 set forth in chapter 601 and [shall] must be approved by the
688 unanimous vote or written consent of the shareholders of every class
689 or series, regardless of any limitation stated in the certificate of
690 incorporation or bylaws on the voting rights of any such class or series.

691 (b) A legacy preservation provision shall remain in effect following
692 expiration of a restricted period. After such expiration, a legacy
693 preservation provision may be amended, modified, repealed or
694 extended for an additional restricted period by an amendment of the
695 certificate of incorporation adopted in accordance with the procedures
696 set forth in chapter 601 and must be approved by the affirmative vote
697 or written consent of all of the shareholders of every class or series,
698 regardless of any limitation stated in the certificate of incorporation or
699 bylaws on the voting rights of any such class or series. A legacy
700 preservation provision may specify that the voting or written consent
701 requirements for the amendment, modification, repeal or extension of
702 such legacy preservation provision be less than the unanimous
703 affirmative vote or consent of all of the members, provided such
704 alternative requirements shall not be less than a minimum status vote.

705 [(b) A dissolved] (c) If a benefit corporation [that has adopted] with
706 a legacy preservation provision [shall distribute its remaining property
707 only] in effect is dissolved, the remaining property of such dissolved
708 benefit corporation may only be distributed to one or more [(1)
709 charitable organizations, or (2) other benefit corporations that have
710 adopted a legacy preservation provision] qualified entities, unless
711 provided otherwise in its certificate of incorporation or by applicable
712 law. If the plan of dissolution of such benefit corporation provides, in
713 whole or in part, for a transfer of any material assets to a charitable
714 organization, the benefit corporation shall give written notice to the
715 Attorney General prior to making any such transfer to a charitable
716 organization.

717 Sec. 20. Section 33-1356 of the general statutes is repealed and the
718 following is substituted in lieu thereof (*Effective October 1, 2017*):

719 (a) [Except for a benefit corporation that adopts a legacy
720 preservation provision] Unless a legacy provision is in effect or unless
721 otherwise provided in its certificate of incorporation or by applicable
722 law, a benefit corporation may terminate its status as such and cease to
723 be subject to the provisions of sections 33-1352 to 33-1364, inclusive, as
724 amended by this act, by amending its certificate of incorporation to
725 delete any provision stating that such corporation is a benefit
726 corporation. Any such amendment shall be approved by a minimum
727 status vote.

728 (b) [Except for a benefit corporation that adopts a legacy
729 preservation provision] Unless a legacy provision is in effect or unless
730 otherwise provided in its certificate of incorporation or by applicable
731 law, if a benefit corporation is a party to (1) a merger in which (A) the
732 surviving entity will not be a benefit corporation, or (B) shares of such
733 benefit corporation will be converted into a right to receive shares [or
734 other equity interests of an entity] of a corporation that is not a benefit
735 corporation, or (2) a share exchange in which the shares of the benefit
736 corporation will be exchanged for shares [or other equity interests of

737 an entity] or a corporation that is not a benefit corporation, the plan of
738 merger or share exchange shall be approved by a minimum status
739 vote.

740 (c) [A] Unless otherwise provided in its certificate of incorporation
741 or by applicable law, a benefit corporation that [adopts] has adopted a
742 legacy preservation provision may only be a party to (1) a merger in
743 which (A) the surviving entity will be a benefit corporation that has
744 adopted a substantially equivalent legacy preservation provision, or
745 (B) shares of such benefit corporation will be converted into a right to
746 receive shares of a benefit corporation that has adopted a substantially
747 equivalent legacy preservation provision, or (2) a share exchange in
748 which the shares of the benefit corporation will be exchanged for
749 shares of a benefit corporation that has adopted a substantially
750 equivalent legacy preservation provision. [, and such merger or share
751 exchange is approved by a minimum status vote.]

752 (d) [Except for a benefit corporation that adopts a legacy
753 preservation provision] Unless a legacy provision is in effect or unless
754 otherwise provided in its certificate of incorporation or by applicable
755 law, any sale, lease, exchange or other disposition of assets of a benefit
756 corporation, other than a disposition described in section 33-830, that
757 would leave the benefit corporation without a significant continuing
758 business activity, within the meaning of subsection (a) of section 33-
759 831, shall be approved by a minimum status vote. A benefit
760 corporation that adopts a legacy preservation provision shall not enter
761 into a sale, lease, exchange or other disposition of its assets, other than
762 a disposition described in section 33-830, unless the disposition is to
763 one or more (1) charitable organizations, or (2) other benefit
764 corporations that have adopted legacy preservation provisions, and
765 such disposition is approved by a minimum status vote.

766 Sec. 21. Subsection (a) of section 33-1364 of the general statutes is
767 repealed and the following is substituted in lieu thereof (*Effective*
768 *October 1, 2017*):

769 (a) A benefit corporation shall send its annual benefit report to each
 770 shareholder (1) not later than one hundred twenty days following the
 771 end of [the] each fiscal year of the benefit corporation after the first full
 772 fiscal year following its organization as a benefit corporation, or (2) at
 773 the same time that the benefit corporation delivers any other annual
 774 report to its shareholders, whichever is earlier.

This act shall take effect as follows and shall amend the following sections:

Section	<i>October 1, 2017</i>	New section
Sec. 2	<i>October 1, 2017</i>	New section
Sec. 3	<i>October 1, 2017</i>	New section
Sec. 4	<i>October 1, 2017</i>	New section
Sec. 5	<i>October 1, 2017</i>	New section
Sec. 6	<i>October 1, 2017</i>	New section
Sec. 7	<i>October 1, 2017</i>	New section
Sec. 8	<i>October 1, 2017</i>	New section
Sec. 9	<i>October 1, 2017</i>	New section
Sec. 10	<i>October 1, 2017</i>	New section
Sec. 11	<i>October 1, 2017</i>	New section
Sec. 12	<i>October 1, 2017</i>	New section
Sec. 13	<i>October 1, 2017</i>	New section
Sec. 14	<i>October 1, 2017</i>	New section
Sec. 15	<i>October 1, 2017</i>	33-1351
Sec. 16	<i>October 1, 2017</i>	33-1352
Sec. 17	<i>October 1, 2017</i>	33-1353
Sec. 18	<i>October 1, 2017</i>	33-1354(b)
Sec. 19	<i>October 1, 2017</i>	33-1355
Sec. 20	<i>October 1, 2017</i>	33-1356
Sec. 21	<i>October 1, 2017</i>	33-1364(a)

Statement of Purpose:

To allow for the establishment of benefit limited liability companies.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: SEN. DUFF, 25th Dist.

S.B. 12